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Cooperation among the Baltic States: Reality and Prospects

Introduction

Cooperation and unity among the Baltic states. Ever since the “singing revolution” in Latvia, Estonia and Lithuania in the late 1980s, this issue has been of importance to governments, societies and the press in all three countries. It seemed to be one of the most important and timely issues in Baltic policy - one to which the most intensive attention must be devoted. The singing revolution has passed, however, that the cooperation among popular movements has been replaced by cooperation at the state level. The issue of cooperation among the newly independent Baltic states has not lost its timeliness, even though the questions are no longer posed as emotionally or loudly as was the case during the process of restoring independence of the Baltic states. So what kind of cooperation exists among the Baltic states in the post-independence period, how significant is this issue, what is its future, and what are the prospects for development of cooperation within the context of European integration processes? The goal of this paper is to find answers to these questions through an analysis of whether cooperation over the course of time will lead to integration.

Some words about cooperation in general. In world politics it is difficult to achieve cooperation. It varies among issues and over time. Cooperation does not mean absence of conflict, but more a process that involves the use of discord to stimulate mutual adjustment. Cooperation is not equivalent to harmony: harmony requires complete identity of interests, but cooperation can take place in situations that contain a mixture of conflicting and complementary interests. Therefore cooperation does not necessarily need to be unanimous in all cooperative arrangements, how society of Baltic countries quite often imagine. No, cooperation requires that the actions of separate individuals or organizations - which are not in pre-existent harmony - be brought into conformity with one another through a process of negotiation, which is often referred to as “policy coordination”. Cooperation occurs when actors adjust their behavior to the preferences of

others, through a process of policy coordination and thus, may include many elements of conflict. In short, cooperation is not smooth and idealistic thing.

The significance of Baltic cooperation in the foreign policies of Latvia, Estonia and Lithuania

Baltic cooperation at this time is hampered by the absence of a distinct leader – a leader that could undertake initiation and coordination of cooperation projects. Theoretically, Latvia is prepared to play this role, because it is located in the geographic center of the Baltic states and has borders with both neighboring republics. At the same time, however, the other Baltic states choose to emphasize their own significance – Estonia as the most economically successful of the Baltic states, and Lithuania as the largest country in terms of population. Still, to a certain extent Latvia has a stabilizing role in Baltic cooperation, and Latvia's foreign policy concept states that cooperation among the Baltic states is a priority issue for Riga.¹ This official position is facilitated by Latvia's geopolitical situation and economic interests. Latvia, unlike Lithuania, does not neighbor Poland, with which it would be useful to establish close political and economic links; unlike Estonia, it does not have a powerful cooperation partner such as Finland. Latvia's official position considers Baltic cooperation as a priority issue, which is not in conflict with efforts to join the European Union and NATO as quickly as possible.

Latvia believes that closer tripartite cooperation will only serve to facilitate the potential accession of the Baltic states to the EU and NATO. According to the official views of the Latvian government, trilateral economic, political and military cooperation is by no means an obstacle to reaching important Baltic goals, i.e., membership in the economic and military structures of the West. At the same time, however, Latvian policy has been flexible, supporting the implementation of individual bilateral projects with Estonia, moving forward more rapidly with Tallinn and involving the third country, Lithuania, only later.² This shows that Latvia's position on the tactics involved in Baltic cooperation can adjust to various options, without, however, reducing the trilateral cooperation itself.

ABSTRACT

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Cooperation among the Baltic States: Reality and Prospects

The goal of this report is to find answers to the following questions: what kind of cooperation exists among the Baltic states in the post-independence period, how significant is this issue and what are the prospects for development of cooperation within the context of European integration processes

First chapter outlooks the significance of Baltic cooperation in the foreign policies of Latvia, Estonia and Lithuania.

Then attention is paid to the economic cooperation: the Baltic free trade agreement (September, 1993), free trade agreement on agricultural goods (July, 1996) and failure of plans to implement a customs union among the Baltic states as well as on plans of cooperation in the next areas.

The third chapter analyzes the cooperation in foreign policy in terms of efforts to join the EU and to relations with Russia. The report shows that EU's decision on enlargement has split the Baltic states into two parts, creating serious worries about the further existence of a unified Baltic territory, but at the same time facilitating Baltic cooperation overall. Concerning relations with Russia, in basic issues, irrespective of differences, which the Baltic states may have on other matters, the three are able to take a common position.

Chapter on military cooperation outlooks the multilateral projects – the Baltic peacekeeping battalion, the Baltic naval squadron, the Baltic air space surveillance network, the Baltic Defense College and different opinions concerning the idea of establishing the military alliance.

The last chapter analyzes the role of common institutions for Baltic cooperation: the Baltic Assembly and the Baltic Council of Ministers. Much higher level of institutions (supranational) will be possible expect only in relation to the structures of the European Union in future. The experience of the Nordic and Benelux countries shows that the role of regional institutions within integrated European structures does not disappear or diminish.

In conclusion, the author points out that accession of the Baltic states to international institutions (EU and NATO) is much more a matter of the national interests of each of the three countries in terms of ensuring security and economic growth than it is a matter of pure Baltic cooperation. However, the idea that membership in international institutions will fully replace Baltic cooperation is unfounded. Therefore, it is possible to speak rather of the fact that Baltic cooperation has changed, and is continuing to change in terms of its content. External factors, especially the integration process on the road to the European Union, will pose serious challenges to Baltic cooperation in the next several years. If this period is survived successfully, then, after the accession of the Baltic states to the EU, a new level of cooperation and integration could emerge among the Baltic countries.

Baltic cooperation is directly affected by the economic interests of the three countries, as well as by European integration processes. For that reason, it is important to consider the issue of whether further development of Baltic cooperation might hinder the three countries in reaching their important foreign policy goal of joining the European Union and, in the more distant future, the NATO alliance. There are various views on this issue; many leading politicians in Estonia and Lithuania feel that the matter is sufficiently important to warrant a fairly cool and reticent attitude vis-a-vis Baltic cooperation.

Before the publication of the European Commission's "Agenda-2000" document (which listed the first candidate countries from Eastern Europe with which membership negotiations will be begun by the EU), Estonia's leaders did not try very hard to emphasize the community of three countries in international forums. They felt that this could harm Estonia's chances of joining the first round of EU membership negotiations. The Estonians understood that with respect to NATO membership the Baltic states are not competitors, because the only possible successful result is that all three are admitted to the alliance together. When it comes to EU expansion, however, Estonia has clearly viewed itself as the leader among the three Baltic states,³ and the European Commission report proved this to be true. Statements by Estonian and western politicians to the effect that Estonia in many respects is better than its neighbors were perceived with considerable distaste by the other Baltic states, and especially Lithuania.

An important factor, which reduces Estonia's interest in devoting much attention to Baltic cooperation, is the fact that Tallinn has strong economic, political and linguistic ties with Finland that date back throughout history. Finland brings Estonia closer to the Nordic countries, and it is Estonia's largest trade partner and investor. It is precisely Finland that has offered strong support for Estonian membership in the EU. Helsinki's support for Latvia and Lithuania is considerably more modest.⁴

In the first half of 1997, before the European Commission report, there was an interesting trend in Estonian foreign policy – leading Estonian politicians suggested that in place of tripartite cooperation, there should be increased and intensified bilateral relations between Estonia and Latvia. As was stated before, this idea met with approval in Latvia, as well. Estonia is interested in establishing closer bilateral cooperation with Latvia, and economic interests underpin this fact. What's more, Estonia and Latvia have a comparable level of economic development, while reforms in Lithuania are proceeding relatively more slowly. Estonian exports to economically developed countries have slowed down in recent

years. Development of a trade relationship with Russia is hampered by an unfavorable trade regime, and the result of this is that the markets of Latvia, Ukraine and other countries are quite significant for Estonia. The activities of Estonia's business circles are increasingly being hampered by the country's small size, and they, too, are starting to increase activities in Latvia. Generally speaking, however, it must be said that the Finnish factor plays a more significant role in Estonian foreign policy than does cooperation with the other Baltic states. The latter issue does not carry as much weight in Estonian policy, and frequently Estonia is openly skeptical about Baltic cooperation.

In Lithuanian foreign policy, too, there have been new trends with respect to cooperation among the three Baltic states. After restoration of its independence, Lithuania considered Latvia to be its closest partner, but now the situation has changed to a certain extent. Lithuania has resolved various differences of opinion with its neighboring country of Poland (territorial disputes and difficulties with the Polish minority in Lithuania), and for the last several years Vilnius has focused more on cooperation with Poland and the other countries of Central Europe. This can be explained by historical circumstances, in part, as well as by the fact that Lithuania and Poland are both Roman Catholic countries. There are also Lithuania's economic and political interests to consider. Lithuanian politicians feel that economically speaking, it would be advantageous for Lithuania to cooperate with the Central European countries, which have a common market of 150 million residents. Compare that to the much smaller Baltic market of 8 million people. Lithuania also feels that close political, military and economic cooperation with Poland will open the door to NATO quite soon. Lithuania actively expressed its individual approach in the matter of NATO expansion, demonstrating a lack of desire to pursue joint Baltic tactics in the period before the NATO Madrid summit in 1997. Lithuania chose to walk apart from the other Baltic states, feeling that Lithuania is ready to become a NATO member state in the first round of enlargement. The Madrid summit did not satisfy Lithuania's yearnings, however, affirming instead that at least in terms of NATO expansion (unlike the case with EU enlargement), the Baltic states are seen as a geopolitical entity, not as three separate states.

This shows that the issue of mutual cooperation among the Baltic states is by means simple, and this has much to do with the fact that existing cooperation among the three countries is progressing, but not as quickly or simply as would seem logical to an outside viewer. We can conclude, therefore, that successful Baltic cooperation is largely

dependent upon the importance which is attached to it in the foreign policies of the three Baltic states, as well as the implementation of these policies in the existing international situation.

Economic cooperatio

One of the priorities in Baltic cooperation is economic work. Even though the Baltic states are largely seen as a unified region in the reset of the world, the fact is that since the very beginning of the post-Soviet transformation process, the three countries have chosen differing paths toward economic reform. Estonia's economic policy was closest to what has come to be known as "shock therapy". Reforms in Lithuania were implemented carefully and gradually. Latvia was somewhere between the other two countries in terms of its own reforms. Does that mean that the Baltic states are competitors, or is there coordination of economic policies among the three?

Immediately after restoring their independence, Latvia, Estonia and Lithuania signed no fewer than 36 cooperation agreements in a wide variety of areas. The three countries expressed a desire to find joint solutions to new, transition-period problems, thus reducing their dependency on the USSR and, later, Russia. The content of the agreements and the speed with which they were concluded, however, did not provide for a mechanism for implementation of the pacts, and this, in fact, meant that many of the intentions went unfulfilled. A certain emotional factor, as well as a common history, promoted Baltic cooperation between 1990 and 1992 to a certain extent, but the cooperation never reached a particularly serious level of development. In concentrating most of their attention on the important political problem of achieving withdrawal of the Russian armed forces, the Baltic states shunted aside other possible areas of cooperation, especially in the area of economic cooperation. Thus, for example, only 2% of Lithuania's foreign trade volume in 1992 consisted of trade with Latvia, while the figure with Estonia was only 1%.⁵

In 1993 there were serious changes in the trilateral cooperation among the Baltic states. All three countries were joined in the idea that the level of cooperation at that point was inadequate. In 1993 representatives of the Baltic governments announced the need t

establish the Baltic Council of Ministers, and on September 13 of the same year the Baltic Free Trade Agreement was signed (more than six months before the conclusion of free trade agreements between each of the Baltic states and the European Union). The agreement took effect in April 1994. Optimists hurried to praise the agreement as a good foundation for mutual integration among the Baltic states,⁶ although in fact it was merely the first major achievement in the early phase of Baltic economic cooperation. The introduction to the agreement expresses the desire of the parties to speed up the establishment of a Baltic market and to establish joint trade relations on the basis of the principles of the General Agreement on Tariffs and Trade. In the conclusion of the agreement, not only economic principles, but also foreign policy considerations came into play. The Baltic states already had free trade relations with the EFTA countries – Sweden, Finland, Norway and Switzerland. The three Scandinavian countries had already applied to join the European Union (Finland and Sweden are now members of the EU), and they announced that they would try to continue their free trade relations with the Baltic states even after membership. Accordingly, the conclusion of the Baltic Free Trade Agreement made it easier to handle trade issues with the EFTA countries and, simultaneously, to draw nearer to the EU.

The Baltic Free Trade Agreement provided a legal underpinning for trade relations among the three countries, and it expanded the Baltic market (which currently has 8 million residents), providing for the free movement of goods which are accompanied by a proper certificate of origin. The agreement provided for a repeal of import tariffs in mutual trade, although some export tariffs remained in effect, thus affirming that differences remained in Baltic trade policies.⁷ Estonia implemented the most liberal trade policies, choosing not to apply any export tariffs but maintaining quantitative limitations on specific groups of goods that were linked to licensing procedures. Latvia and Lithuania, however, maintained export tariffs on some groups of goods.

The Baltic Free Trade Agreement of 1993 took effect with respect to industrial goods, but problems remained with respect to agricultural products. All three Baltic states had differing agricultural policies with respect to state subsidies and customs tariffs. In the area of agricultural trade, Estonia's government once again had the most liberal policies. Because Estonia and Latvia had fairly similar trade policies with respect to agricultural goods, thought was given to the possibility of concluding a free trade agreement on agricultural goods just between those two countries.⁸ The idea did not come

to fruition, however, especially because the world continued to view the Baltic states as a unified political and economic space. Moreover, thanks to changes in the governments of all three Baltic countries in 1995, there was greater activity in pursuit of a resolution to the problem

After great difficulties and long-lasting disputes, the Baltic states finally signed a free trade agreement containing no limitations on trade in agricultural goods on July 16, 1996. The agreement took effect on January 1, 1997. Interestingly, it was Lithuania, which opposed the conclusion of the agreement for the longest period of time, thanks to Vilnius' desire to maintain protectionist policies. Now, however, Lithuania has proven to be the main beneficiary of the agreement, because its exports of agricultural goods to the other Baltic states have expanded, and it has a positive trade balance with both countries.

A good example of the fact that Latvia, Estonia and Lithuania focus more on their integration into the European Union than they do on their declared goals of mutual cooperation is the fact that a plan to implement a customs union among the Baltic states never came to pass. On February 13, 1995, the prime ministers of the Baltic states adopted a resolution calling for the establishment of a customs union.⁹ The government leaders agreed that in concert with a specially elaborated plan, the customs union should take effect on January 1, 1998. Two differing opinions came to the fore very quickly however. Some felt that the Baltic customs union would be a step toward more rapid membership in the European Union; others felt that the establishment of the union would do nothing to promote Baltic accession to the EU. Defenders of the customs union felt that the establishment of the structure would certainly speed up the admission of Latvia, Estonia and Lithuania to the European Union, because the customs union would serve to expand the Baltic market, the Balts would be able to attract a greater volume of foreign capital, and the position of the Baltic countries in negotiations with Brussels about EU membership would be strengthened.¹⁰

A successful example here might be the economic cooperation among the Benelux countries, which established a customs union even before the three states joined the European Union. The Benelux countries signed a tripartite monetary agreement in 1943, and a customs convention in 1944. The latter document repealed all customs fees among Belgium, the Netherlands and Luxembourg, and it implemented joint Benelux external customs tariffs. The Benelux countries in 1958 continued their integration by establishing the Benelux Economic Union. It provided for:

- The free movement of persons, goods, capital and services;
- Coordination of economic, financial and social policies;
- Unified economic policies in relations with third parties.¹¹

Analyzing the trilateral economic cooperation among Belgium, the Netherlands and Luxembourg, we can note that this was a complicated and gradual process, and the establishment of a customs union required 15 years of work.

Opponents of the customs union felt that it was already too late to establish the union and that the work should have begun much earlier.¹² They said that the establishment of a monetary union, which is an irreversible part of any customs union, would be particularly problematic. After restoring their independence, all three Baltic states quickly implemented their own currencies. This was understandable, given that a currency can be seen as a symbol of an independent state. Furthermore, all three countries have differing foreign trade concepts with respect to import tariffs (Estonia's is most liberal, Lithuania's – most protectionist). There are also differing agreements with third countries, including Russia. Russia has granted most favored nation status to Lithuania, while Latvia has only temporary MFN status with Russia (both countries pay the ordinary customs tariff rate of 20% on their exports to Russia). Estonia does not have MFN relations with Russia, and a 40% customs tariff is applied to its exports. If a customs union were to be established, it could happen that the 40% customs tariffs are applied to all three Baltic states, and that would not be in Latvia's or Lithuania's interests (Russia is, incidentally, preparing to repeal its temporary MFN regime with Latvia at this time).

It was soon found that the establishment of a customs union involves an entire complex of procedures, and these would duplicate many of the things which the Baltic states were doing anyway in pursuit of membership in the European Union. Lithuania said very clearly that at a time when all attention must be focused on EU membership, Vilnius had no time to participate in the establishment of a parallel system, one which in the future would be part of the EU in any event. Lithuania also argued that the internal resources of the Baltic states are too limited to implement both plans simultaneously. A new institution would have to be created for the customs union, and it would engage in harmonizing customs tariffs. The result of all of this is that the issue of a Baltic customs union is no longer on the agenda. Latvia defended the initiative the longest.

Other efforts seem to be proceeding more easily, especially since the conclusion of the free trade agreement on agricultural goods. Baltic heads of government on November 20, 1997, reached agreement on the next areas of cooperation which should be pursued in the further development of a Baltic economic space. An agreement was signed on the same day on the repeal of non-tariff barriers in Baltic mutual trade, and that agreement will take effect on July 1, 1998.

In concert with the goals for future cooperation which were set by the Baltic prime ministers on November 20, 1997, the Trade Committee of the Baltic Council of Ministers is supposed to elaborate the basic principles of an agreement on the free movement of services, basing the work on the norms of the World Trade Organization. The free movement of services is closely linked to the free movement of labor, and the Social Affairs Committee has been ordered to draft an agreement on that issue. The Education Committee must come up with an agreement on the mutual recognition of educational documents in the Baltic states.¹³ The first round of negotiations on the agreement on free movement of labor was concluded in March of 1998, which suggests that all three parties are interested in concluding this work successfully. Agreement has also been reached that the pact on a unified educational space is to be signed before the start of the new academic year (this year).

A very important criterion in establishing an economic space is the creation of a unified transit space. The resolution of the Baltic prime ministers of November 20, 1997 ordered the preparation of an agreement on joint transit procedure for the Baltic states by July 1, 1998. The joint transit procedure must be established through the implementation of a unified transit cargo guarantee system. The involvement of Euro-customs experts in this process is significant, in that they are helping to ensure that the procedure occurs in concert with the norms of the European Union. The work of the experts is proceeding positively, and there is reason to hope that the agreement will be signed during a prime ministerial meeting in July of 1998. The Trade committee of the Baltic Council of Ministers has been ordered to establish an expert group that will prepare a draft agreement on strategic export and import controls in concert with the controlled products standards of the European Union.¹⁴

Simplification of border crossing procedures on the domestic borders of the Baltic states, as well as establishment of joint border control procedures, may seem largely a bilateral issue, but in the context of efforts to establish a unified economic space it must be

seen as a task in which all three Baltic states are jointly interested. The first joint border control point, Grenctale-Saloci on the border between Latvia and Lithuania, was opened on August 2, 1997. Work is continuing on the establishment of other joint border control facilities. In 1998 there are plans to begin joint control at two border control facilities on the Latvian-Estonian border – Ainazi-Ikla and Veclaicene-Murati.¹⁵ The activities of the expert groups, as well as the ongoing process of construction work on the borders, allows us to hope for a positive result.

An important project is the establishment of the Baltic States' Governmental Data Communications Network project, which allows us to speak of a unified information infrastructure in the Baltic states. The Information Technology Committee of the Baltic Council of Ministers is responsible for the project, and its implementation is involving the three transport ministries of the Baltic states. The resolution on the main operational principles of data communications in the Baltic states were signed by the Baltic prime ministers on April 26, 1997, in Parnu, where they met under the auspices of the Baltic Council. On November 20 of the same year the prime ministers stressed the need to continue work on the project.¹⁶ After negotiations with the Norwegian company Norway Registers Development on financing for a pre-project research procedure, an agreement to that effect was reached in March 1998. Norway's Registers Development will help the Baltic states to integrate into the Nordic information infrastructure, and the project could later become linked to the EU's existing European Business Register project.

The Baltic states are also working on a project called BALTRAIL – a rail line that would connect the Baltic states with Poland. Cooperation is also taking place in the field of environmental protection. In 1995 a trilateral government agreement was signed on the establishment of a Baltic Nature Protection Forum, which enjoys the support of several EU countries. Representative offices of the forum are open in all three Baltic states, and more than 20 natural protection programs are being implemented. Co-organizers of the programs include the US Environmental Protection Agency, the Nordic countries, and the EBRD. Under the auspices of the program, foreign investment is routed only toward environmentally friendly sectors of the economy – environmentally clean technologies, anti-pollution efforts, waste recycling, etc. In the field of recycling of hazardous waste, agreement has been reached among the Baltic states that Lithuania handles galvanic waste, Latvia takes care of hazardous bulbs, while Estonia destroys hazardous batteries.

Another important project to underpin Baltic economic sovereignty is the creation of a gas supply system for the Baltic states – another area in which the European Union is providing financial support. The aim of the project is to increase the security of Baltic and Finnish gas supplies and to end the situation where the Baltic states are dependent upon a single source (Russia) for their gas supplies. The project involves the construction of a gas connection from Finland through Estonia, Latvia and Lithuania to Poland – there joining the European gas system. It should be noted that the European Union has listed close Baltic cooperation as a pre-condition for receiving financing for the project, so that if one country connects to an alternative gas source, supplies are also ensured for the other countries. This project is an example of the way in which the Baltic states are still perceived as a unified territory in the eyes of much of the world. Mutual cooperation is seen as a mandatory pre-requisite for the implementation of various projects.

All of these examples signify that the implementation of jointly taken decisions is usually ensured, even though in some instances the implementation of decisions is considerably delayed. In other instances, however, the accomplishments end up exceeding what was hoped. In total, it can be said that the implementation of adopted decisions and proposals goes forward, albeit sometimes with delays, and this allows us to speak of a gradually growing trend toward practical cooperation among the Baltic states.

But what is the situation in such indicators of economic cooperation as foreign trade and the attraction of foreign investment? The main trade partners for the Baltic states are not found among themselves. Rather, they are found among other countries, mostly the states of the European Union and, to a lesser extent, the countries of the CIS (especially Russia). Mutual trade among the Baltic states is not too extensive. In 1996, Lithuania was in 5th place in terms of Latvian imports (6.3%) and in 4th place in terms of Latvian exports (7.4%). Estonia wasn't even in the top five of Latvia's trade partners. Similarly, neither Latvia nor Lithuania was in Estonia's top five as an import partner, while in exports, Latvia was Estonia's 4th largest partner (8.3%). In Lithuania's exports, Latvia was in 4th place (9.3%), but there neither of the other Baltic states was in the top five of Lithuania's imports.¹⁷ These numbers show that trade among the Baltic states is fairly limited, involving primarily Latvia, which has a border with both Estonia and Lithuania. Trade among Estonia and Lithuania is at an even lower level. Even though Baltic trade primarily focuses on other countries, however, trade among the Baltic states has increased consistently over the last several years, both in terms of exports and in term

of imports. Time will tell how mutual trade in the Baltic states will be affected by the Baltic Free Trade Agreement and its application to agricultural goods.

As is the case in foreign trade, foreign direct investment in the Baltic states is also associated primarily with the attraction of investors from other foreign countries. More recently, though, there has been a growing trend of investment from the Baltic business environment itself. This is particularly true with respect to investments from Estonian firms in Latvia and Lithuania. A well-known example is *Hansa Bank*, which has expanded its financial activities to the other two Baltic states. Similar trends have been seen in other business activities, as well. In March 1998, for example, the three largest banks in the Baltic states – Estonia's *Uhispank*, Latvia's *Unibanka* and Lithuania's *Vilnius Bankas* – signed a strategic cooperation agreement, promoting potential client servicing, joint investments and trans-frontier developmental projects. Closer cooperation can also be seen in such fields as insurance, leasing and brokerage services. All of this may signal a new trend to increase regional economic contacts, and in the wake of an agreement on the free movement of services, it would mark a significant step toward the establishment of a Baltic common market.

In sum, it is clear that the economic cooperation of the Baltic states is developing gradually. The Baltic states have created a free trade space, although its effects are still quite modest. Potential membership in the European Union could promote the economic development of the Baltic states and further cooperation in the development of infrastructure and cross-border affairs. But before then (in the event that the Baltic states are not admitted to the EU simultaneously), this process can affect Baltic cooperation in two ways – on the one hand, differences in the pace of economic development can increase between the one country that will be admitted to the EU first and the two that will not, thus reducing the initiative for regional cooperation, if such cooperation might hamper the chances of the one state to join the EU (or if that is the perception). On the other hand, the country that is accepted into the EU sooner can actively support the other two on their way to the European Union, implementing support policies of the type which are currently being utilized by the Nordic countries that are already EU members. Accordingly, the development of economic cooperation among the Baltic states in the near future will be critically dependent on the way in which the Baltic countries integrate with the European Union, even though regional cooperation as such will not lose its significance.

Cooperation in foreign policy

Foreign policy includes a very broad range of issues, and this paper will consider only a few of them – those principles of Baltic foreign policy which are most important especially in terms of efforts to join the EU and to develop relations with Russia.

The European Union, reacting to the new situation in the world after the Cold War, and deciding to enlarge, has given the Baltic states a hope of becoming members in that organization. The EU's Copenhagen Summit, and the free trade agreements that were concluded between the EU and the Baltic states in 1994, encouraged the Balts to make EU membership their main foreign policy goal. Latvia's foreign policy concept stresses that "Latvia's strategic goal is accession to the European Union, something that is a fundamental opportunity to ensure the survival of the Latvian nation and the preservation of the Latvian state. Membership in the EU economic system will promote the more rapid development of Latvia's economy, science, education and culture."¹⁸ The desire to join the European Union is equally significant for Estonia and Lithuania.

As movement toward the European Union became a priority in Baltic foreign policy, significant changes occurred in the area of mutual cooperation among the Baltic states. One can safely say that cooperation among the Baltic states is to a very great extent specified by policies aimed at integration with the European Union.

The European integration process has placed the same demands on all three Baltic states. It would seem, therefore, that movement toward the European Union should coincide with the pace of reform in all three Baltic states, something that would emanate from the possibility to link Baltic cooperation with the process of European integration. Initially this may seem to be a simple issue, given the similar level of economic development in the Baltic states in the period after the restoration of independence, as well as the comparable strategic goals which the three countries have set for themselves. This has particularly been reflected in the joint political announcements of the Baltic states, in which it has been emphasized that through close cooperation, Latvia, Estonia and Lithuania are drawing closer to the European Union. Declarations have been made to

the effect that those areas of tripartite cooperation which promote the integration of the three countries with the European Union are of the highest priority.¹⁹

The reality is, however, that the pace of domestic reform in the three Baltic states began to vary in the early 1990s, and this is why the Baltic countries have had serious difficulties in finding common language on the issue of integration with the European Union.

Here we must particularly consider the positions taken by Estonia. Given the significant support which Tallinn has enjoyed from Finland, as well as the radical economic reforms which were instituted by the administration of Mart Laar, Estonia quickly understood that Baltic unity would hamper its road to integration into Europe, and it has focused much more extensively on support from Finland, which is Estonia's main strategic partner. Estonia began a complete liberalization of its economy and eliminated import tariffs on exports to the country. This was a radical step and affirmed the openness of Estonia's economy. Estonia has always emphasized this as something which sets it apart from Latvia and Lithuania, where protectionist policies (especially with respect to agricultural products) continue to dominate.

To a certain extent, Estonia's economic indicators really have been better than those in its neighboring countries. According to the European Commission's opinion on the situation in the EU's candidate countries, Estonia's economic growth began slightly sooner – in the second half of 1993 – while Latvia's and Lithuania's began only in 1994. Estonia has also enjoyed greater growth rates. Moreover, the country never experienced a banking crisis, while Lithuania and Latvia did. Latvia's was so severe that in the year of the banking crisis the country's GDP actually declined after growth in the previous year. The Estonians also managed to balance their government budget and to restructure their foreign trade situation more quickly and to a greater extent than did their neighbors. Estonia has more in the way of exports to and imports from the European Union than do the other Baltic states, and Estonia's main single trading partner is Finland, not Russia. Accordingly, we can see that Estonia has had slightly better economic indicators than the other Baltic states in the post-independence period.²⁰

In foreign policy, too, Estonia has from the very beginning been much more active in pursuing its goals, and it has established a very successful international image. I cannot be said, however, that in doing so Estonia behaved in a particularly correct manner toward the other Baltic states. Feeling strong support from Finland, Estonia sought to

create the impression that Latvia and Lithuania were lagging considerably behind in terms of reforms and economic development. In May 1995, for example, the Baltic states signed Association agreements with the European Union. Estonia persuaded the EU to state in the agreement that Estonia would have no transition period, and Tallinn immediately trumpeted this as a significant achievement that pointed to differing paces of reform in the Baltic states. In fact, the texts were identical, except the fact that Latvia's agreement spoke to the end of the transition period in 1999, while Estonia's contained text concerning membership in 1999.²¹

Competition among the Baltic states was particularly intensive as they entered the "final stretch" before the EU's Amsterdam summit. During a meeting of Baltic heads of state on 12 June 1997, for example, there were heated discussions about a unified Baltic position and a joint statement with respect to the enlargement of the EU. Lithuania firmly declared that the Baltic states must give a joint signal that they were ready to begin negotiations for membership in the first round of enlargement. Estonia categorically rejected the idea, emphasizing that the start of negotiations with even one of the Baltic states would be an accomplishment for the others, as well. Latvia expressed the view that the involvement of all three Baltic countries in active negotiations would promote Baltic cooperation and unity; in the opposite case there would be unhealthy competition, and the political value of Baltic cooperation would fall into doubt. The parties could not come up with a unified formulation, and no document was signed. This pointed quite clearly to contradictions among the Baltic states. It also showed that external factors – in this case international institutions – can play a significant role in promoting or hampering further Baltic cooperation.

On July 15, 1997, after a detailed analysis of the extent to which the various candidate countries corresponded to the political and economic criteria for membership which had been posited by the EU, the European Commission recommended that membership negotiations be launched with five Central and Eastern European countries, including Estonia as the only one of the Baltic states. Needless to say, Baltic reaction to this announcement was varied. The successful Estonians were openly joyous about their report, while some politicians in Latvia and Lithuania expressed bitter disappointment and dissatisfaction with the European Commission's negative decision concerning their countries. Attempts were made to blame the statistical data, which were used in the report; politicians claimed that the data were imprecise and out-of-date. The reaction of

other unsuccessful candidate countries in Eastern Europe was quite similar. Lithuania, and initially also Latvia, argued that the European Commission decision was a subjective one, because economic development in the Baltic states has generally been similar, and differences between the Baltic states are not too extensive. The reaction of the Lithuanian leadership with respect to the achievements of their Northern neighbors was particularly negative. The chairman of the Lithuanian parliament went so far as to talk about the dangers of the situation and the possibility that criticism might be launched against the European Commission and Estonia. Latvian politicians, after an initial period of shock, were considerably more supportive of Estonia. President Guntis Ulmanis said that Estonia's invitation to begin membership negotiations was an accomplishment for all of the Baltic states. Other influential politicians and commentators in Latvia expressed similar views – that Estonia's achievement was an achievement for the Baltic states as a whole.²² The Estonians thought highly of this Latvian viewpoint, and Prime Minister Mart Siiman had this to say about the Estonian position: "If Estonia is the first of the Baltic states to undertake negotiations, that will be good for all of the Baltic states, and Estonia will do everything in its power to ascertain that the others are involved in the negotiations, too."²³

And still – didn't the European Commission decision damage Baltic unity? Latvia's prime minister, Andris Skele, said in his initial reaction that he is afraid that the Commission decision would split the Baltic territory into two parts. The issue is by no means clear, and there is a certain justification for such fears. There is a possibility that if Estonia joins the EU more quickly, it could distance itself economically from its neighbors, and then engage in political distancing typified by Estonia's typical self-pride, forgetting the less successful Baltic partners. One cannot eliminate this possibility, at least at the theoretical level. A statement by the Estonian president that theoretically his country would be ready to implement a visa regime with both countries if the EU were to demand this was greeted with considerable hostility in Latvia, and especially in Lithuania. This author feels that the Estonian president's announcement (in a press interview in the spring of this year) was completely unnecessary, because there is no justification for it at this time (that situation could change in the near future). All that was accomplished was that neighboring politicians were upset (Lithuanian leaders in particular are very sensitive with respect to any statement by Estonia that emphasizes its leadership role or the factors which set it apart from the other Baltic states).

On the other hand, the Baltic states, especially the Latvians and the Estonians, tend to measure their successes and failures by comparing themselves to one another, not by looking at the global picture. For that reason, Estonia could serve as a force to pull the other Baltic states (especially Latvia) toward the European Union, leading the other two countries to buckle down and hurry to catch up with the flagship. The disturbance over Estonia's drawing ahead of the other two countries has settled down. Politicians in Latvia and Lithuania have taken the situation for what it is. Leading Estonian politicians have also said several times that they support Latvian and Lithuanian membership in the EU, and Estonian experts have denied speculation in the press that the Baltic Free Trade Agreement could be abrogated. Latvia and Lithuania may fear that the geopolitical unity of the Baltic states might be destroyed, but Estonia has demonstrated an increasing interest in intensifying Baltic cooperation, at least insofar as it does not hamper Estonia's getting to the European Union. As Zaneta Ozolina has pointed out, Estonia will be the first of the Baltic states to have to face the problems associated with the EU's third and fourth "pillars" – issues that are basically regional in nature (organized crime, narcotics, borders, migration) and that cannot be solved without international cooperation.²⁴

Accordingly, the European Union's decision to launch membership negotiations with some candidate countries but not all of them is of unclear significance. This is the first time that an international decision has split the Baltic states into two parts, creating serious worries about the further existence of a unified Baltic territory, but at the same time facilitating Baltic cooperation overall. Competition is a fundamental pre-requisite for economic development, and the fact that one Baltic country has been given this opportunity gives rise to hopes that the region as a whole is not being excluded from EU membership. Rather, the other Baltic states are being stimulated to speed up their own processes of reform.

Even though in the modern world there is much talk of "establishing a unified European security architecture" and of promoting security and stability in the Baltic Sea region, there is no doubt that the only threat against Baltic survival is Russia. It is the fact that the Baltic states border on Russia – an economically weak, politically unstable and undemocratic country which has clearly stated its desire to maintain influence over the Baltic region – that makes Russia a factor in promoting Baltic cooperation.

Historically, Russia has always considered the Baltic states to be in its sphere of influence, and Moscow has not changed its thinking since the end of the Cold War and the

collapse of the Soviet Union.²⁵ The Russians have become increasingly insistent, especially now that the issue of enlarging the EU and NATO has come to the fore in the world.²⁶ An understanding that Russia will try to keep them from “escaping” to Europe is encouraging the Baltic states to seek out ways of avoiding this geopolitical gravitational force.

Also, it is not only true that there is a common source of threats (which is an argument in favor of closer cooperation among the Baltic countries), but also that the understanding of all three Baltic countries with respect to this threat is identical. This is the result of forced membership in the USSR over the last 50 years. It should be added that between the two world wars, the Baltic countries had very different views about possible sources of danger. Lithuania thought that Germany was dangerous, Latvia focused on Germany and Russia, while Estonia emphasized Russia. That is one reason why efforts to develop Baltic cooperation in the 1920s and 1930s remained mostly paper. There are no such differences today, and the Balts are very clear in considering Russia as the main threat in the region.

At the same time, however, Russia’s tactics in dealing with the Baltic region have involved treating each of the three countries differently in foreign policy terms, the idea being to force the Baltic states to abandon any joint political stand. Russia periodically chooses one of the Baltic states for an offensive, and it uses various methods of international influence – propaganda, threats of economic sanctions, manipulation with unsigned border treaties, or the awarding of specific privileges to one country but not the others.

Russia has based its relationship with Lithuania on a more friendly basis than has been the case with Latvia and Estonia. Russia’s main foreign policy weapon in developing its relations with the Baltic states has been the exaggerated issue about the supposed “discrimination” which exists against the Russian minority in the Baltic countries. The post-Soviet situation in Lithuania allowed it to adopt a liberal citizenship law. Other factors which have promoted relatively good relations between Lithuania and Russia have included the fact that Lithuania has been liberal in its approach to the Kaliningrad enclave, and it has yielded to Russia in several economic issues, allowing Moscow to pursue its own economic interests in Lithuania. Russia has developed relations with Latvia and Estonia differently, and that is because of the large number of Russian residents in the two countries.

Russia's manipulations in seeking to set Lithuania apart from the other Baltic states are very visible if we look at the issue of border agreements. Border agreements with all three Baltic states have been prepared technically, but Russia has actually signed an agreement only with Lithuania (in October 1997). The same situation existed during the summit of Baltic Sea states in Riga on January 23, 1998. Even though all three Baltic states are interested in signing a border agreement, the Russian prime minister invited only the heads of government of Lithuania and Estonia to visit Moscow. The Latvian prime minister was left out in the cold.

Russia's differing approach to each of the Baltic states has borne fruit to a certain extent. This can be seen in Lithuania's reaction to the increasing tensions between Latvia and Russia in March 1998. At a time when the Lithuanian prime minister was preparing a trip to Moscow, Lithuania's official reaction to Russia's attacks against Latvia was more than modest and evasive. Estonia provided more support, which was shown both by pronouncements from Estonian politicians, and by the fact that Estonia designated a new ambassador to Latvia more quickly than had been expected.

Still, even though each of the Baltic states is establishing its relationship with Russia differently, Russian policies have been aimed chiefly at eliminating the possibility that the Baltic countries might be admitted to NATO. Accordingly, the fact that the Baltic states have similar foreign policy goals – membership in the EU and NATO – dictates the fact that they have similar foreign policy approaches vis-a-vis Russia. Evidence of this was given by the reaction of the Balts to security guarantees proposed by Russia. In July 1997 Moscow publicly announced that it would guarantee the safety of the Baltic states (the proposal was submitted formally to the presidents of the three countries in the fall of the same year). The idea was to put Moscow ahead of the US-Baltic Charter that was under consideration at that time. Despite the fact that it had signed a border agreement with Russia, Lithuania reacted strictly: such security guarantees would be unacceptable. As a result, the Baltic presidents, meeting on November 10, 1997, signed a joint communiqué in which they expressed a unified Baltic position with respect to Russia. The communiqué emphasized that security in Europe is an indivisible concept, and the security of the Baltic states can be ensured only through integration with the European Union and NATO. What's more, the presidents said, regional security processes do not conform to the modern understanding of security in Europe.²⁷

In basic issues, therefore, irrespective of differences, which the Baltic states may have on other matters, Russia can promote Baltic cooperation and encourage the three to stake out a common position.

Military cooperatio

One can say that military cooperation among the Baltic states is a new a unique phenomenon in the trend toward European regionalization, because neither the Benelux countries (in their pre-NATO period), nor the Scandinavian countries have engaged in much in the way of military cooperation. At the same time, it is precisely the military sector in which there has been the most progress in trilateral Baltic relations since the restoration of independence. This cooperation began immediately after the restoration of independence in 1991. This phenomenon can be explained by the fact that the Baltic states had an urgent need to resolve a key security issue – how to ensure the existence of the three countries and how to achieve a withdrawal of Russian armed forces from the three. Even though in the latter issue each of the Baltic states acted according to its own precepts and less on the basis of common tactics (Russian units were withdrawn from Lithuania more quickly than from Latvia and Estonia), at the political level the leaders of the Baltic states issued joint calls for Russia and other countries to promote the more rapid withdrawal of Russian armed forces from the entire Baltic region. In 1993 a declaration was signed on closer military, security and defense cooperation, and the declaration included the proposal of establishing a unified defense system, speeding up trilateral information exchange, organizing joint military exercises and seminars, and preparing for possible participation in UN peacekeeping forces.²⁸

Military cooperation exists at all levels at this time, both among the armies and among the home guards of the three countries. Since 1994 cooperation has been based on an annually updated plan for trilateral activities. Defense ministers meet regularly, as do the commanders of the armed forces and other members of the military structures. The Baltic Assembly has been vocal in its support for tripartite military cooperation, and in several resolutions it has called for an expansion of the cooperation, starting with the

establishment of joint control systems for air space and maritime borders, and ending with the establishment of joint military units.

Four multilateral projects are being implemented under the auspices of Baltic military cooperation – the Baltic peacekeeping battalion (BALTBAT), the Baltic naval squadron (BALTRON), the Baltic air space surveillance network (BALTNET), and the Baltic Defense College (BDC). All of the projects have developed thanks largely to international support. This cooperation is quite unique in that it involves not only the Baltic states, but also a number of countries from NATO and the Partnership for Peace program. For the Baltic countries themselves, international military cooperation is a useful way to establish and develop their defense forces and their structure.

BALTBAT is the first multilateral project, which the Baltic states have developed jointly. The agreement on establishing the battalion was signed on September 13, 1994, by the three Baltic countries, as well as four Nordic countries led by Denmark. Later they were joined by the United States, Great Britain, Germany, France and the Netherlands. BALTBAT is already through its formation and the initial training program (in December 1997), and it is now officially ready to engage in peacekeeping operations.²⁹ It should be noted that during the preparatory process, some units of the new battalion joined the Nordic units that were serving in Bosnia.

The BALTBAT project is significant in several aspects. First of all, it proves that the Baltic states are ready for close cooperation, in this instance in the military field. Second, it shows that the Baltic states are contributors to security structures, not just “consumers” of security. Third, the project serves as a “Westernization” lesson for the military personnel of the Baltic states. All three factors are fundamentally important, given the desire of the Baltic countries to join NATO. Along with the establishment of BALTBAT and the posting of Baltic soldiers in Bosnia, the names of Latvia, Lithuania and Estonia gained broad and positive resonance at the international level. Plans are being hatched to develop BALTBAT further. The main goal at this time is to turn BALTBAT into a typical infantry battalion. Utilizing national training centers in Adazi (Latvia), Paldiski (Estonia) and Rukla (Lithuania), each country will be establishing its own national battalion, similar to BALTBAT. The three battalions will then provide personnel for the long-term preservation of BALTBAT.

The second important Baltic military cooperation project which should be mentioned is BALTRON, the Baltic naval squadron that will operate along the same

general lines as BALTBAT. The idea to implement this project occurred in December 1996. The plan is to establish a basis for closer cooperation among Baltic naval forces, to provide mine-clearing operations, and to promote contacts with Western navies. The project is supported by a series of countries in the West – Germany (the leading country in the project), the four Nordic countries, France, the Netherlands, the United States, Great Britain, Belgium, Iceland and Poland. It is planned that BALTRON will be inaugurated in August of this year, and it will participate as a naval unit in the “Open Spirit ‘98” training exercise in September of this year.³⁰

The third project, the air space surveillance network BALTNET, is based on the Regional Airspace Initiative (RAI) that was recommended by the United States. The goal is to set up a regional air space control center which would collect information and process data from all three Baltic states and their national air space control centers. Data would then be transmitted to other regional air space control centers in Northern and Western Europe. Accordingly, the Baltic air space would be integrated into the air space of Europe, as well as of NATO. The Baltic defense ministers have agreed that a Regional Air Space Surveillance Coordination Center will be established in Lithuania, while so-called “remote nodes” will exist in each of the Baltic states. As is the case with BALTBAT and BALTRON, BALTNET, too, is being organized under the auspices of multilateral cooperation; in this instance the lead country is Norway.³¹ The BALTNET project is unique in several respects. First of all, the merger of three air space control systems into one would to a certain extent signify the beginning of Baltic military integration (at least in the air space control sphere). Second, the establishment of a modern air space control system in the Baltic countries can be seen as the first step on the way to establishing an air space defense system.

The Baltic Defense College (BDC) is the latest major cooperation initiative for the Baltic armed forces. The idea was first mooted at a meeting of Baltic and Nordic defense ministers in May 1997. It was decided to establish a joint institution for training higher and middle-level officers from all three Baltic states. The facility will be located in Tartu (Estonia). The project is supported by the Nordic countries, and Sweden has undertaken coordination of the plan. It is expected that the first group to attend the BDC will begin its studies in August 1999. It is possible that an advanced civil servant training course will be launched simultaneously. It would provide training for civil servants from the three Baltic defense ministries, as well as structures that are subordinated to them. The training

process will be in full compliance with NATO standards. It is expected that in addition to the Nordic countries, other states, including Germany, Great Britain and the United States, will provide instructors and equipment for the college.³²

Analyzing Baltic military cooperation, we can clearly see American influence, because the United States have helped to promote Baltic cooperation. This can be seen both in the aforementioned multilateral cooperation projects, and in the US-Baltic Partnership Charter, which was signed on January 16, 1998. The significance of the charter in terms of Baltic cooperation is that it not only promotes cooperation, but indeed forces the three states to work together. As we known, there were certain problems in drafting the charter, because Estonia, and especially Lithuania, were initially interested in concluding separate agreements with the United States. The strictly stated American desire to sign a joint document was what led to the conclusion of the charter. A similar situation existed when the United States offered financial assistance to establish a unified Baltic air space control system. Then, too, only American pressure forced the Baltic states to find a common position on the issue. The charter states clearly: "In furthering present cooperation between the defense ministries and armed forces, the United States support the efforts of Latvia, Estonia and Lithuania to ensure their lawful defense needs, including the development of proper military forces that are able to work together."³³ The document shows the fundamental role which the United States play in promoting Balti cooperation and in causing the Balts to learn about cooperation. This is not a simple process, because it includes a great many contradictions that can be overcome only if a parties have the political will to reach a joint result and to make compromises along the way. We can conclude, therefore, that an external factor like the United States has a positive role to play in promoting Baltic cooperation.

At the same time, however, Baltic politicians have been very cautious about applying the word "alliance" to their military cooperation efforts. This was demonstrated in December 1995, when in adopting one of the most important Baltic Assembly resolutions on military cooperation, Baltic parliamentarians avoided the word altogether. Participants explained that the Baltic Assembly did not wish to provoke Russia unnecessarily before parliamentary elections in that country, because that might facilitate a victory for Communists and ultra-nationalist forces in the balloting. It must be noted, however, that the agreement on military cooperation which was signed in 1995, which provided for information exchange, joint training for military units, the creation of a joint

air space control system, and closer cooperation with the United Nations and NATO, can be seen as a certain basis on which further work can be done in pursuit of a trilateral alliance.

The possibility of creating an alliance was first raised by the commander of the Estonian defense forces, who announced publicly in 1995 that it was necessary to consider the establishment of a military union. A similar idea on the need for a Baltic military union was expressed by the leftist Estonian politician A. Ruutel – virtually the only visible politician to do so. The attitude of senior officials in all three countries has been distinctly cool toward the idea, however, because they fear that an alliance could have a deleterious effect on Baltic security. Lithuanian politicians have been particularly severe in their denunciation of the idea. They argue that the establishment of a union could create the impression in the world that the Baltic states want to establish an alliance as an alternative to NATO if they are not admitted to that alliance in the near future. Many Baltic politicians think that the establishment of a military union would make more distant the day when NATO membership is possible. According to this view, the establishment of a Baltic military union could to a certain extent damage the international prestige of all three countries, because at a time when all Europe is moving toward a general and collective security system, the Baltic states would be establishing their own military alliance. The establishment of the union would then be seen as an obstacle to the potential membership in the EU of the three countries. There might be doubts about whether the EU would want to admit three militarily and economically weak (compared to Western Europe) countries which, because of their military alliance, might be unwilling to yield to the EU's common foreign and security policy. The main argument against the establishment of a Baltic military union, however, is the view that such an alliance would be weak in any practical situation, and it would not be able to act decisively in times of crisis, i.e., if the security of the Baltic states were to fall under threat.

The few defenders of the idea of a Baltic military union, for their part, say that because Baltic membership in NATO is a very distant issue, and also because the West wants to see a unified security system in the Baltic states, complete with joint border and air space control, the establishment of a union would be a good thing.

There is another issue which has not been considered so far, but which is quite important: To what extent could the Baltic states feel politically secure, even if they were (in the distant future) admitted to NATO? The treaty which was signed in Washington on

April 4, 1949, by the participating countries of the North Atlantic alliance specified political priority over military considerations, and respect for the views of each participating country. This means that NATO as such does not have a military unit. Its forces are made up from the armies of the participating countries, and each country can decide separately whether to become involved in an armed conflict or not. If NATO's joint military forces are to become involved in resolving an ethnic conflict in a country (including a NATO member country), or in protecting the country against threats to its territorial integrity, all member countries must agree. This may prove to be a serious problem for the Baltic states in the future. It is difficult to predict the extent to which the NATO member countries would be able to understand provocative incidents staged by Russia in the Baltic states. Accordingly, whether the Baltic countries end up in the NATO system or not, they must work together to develop a system for self-defense, for the taking of unified views, and for exchanging information. They must not wait until the question of their membership in NATO is settled.³⁴

It is very clear, however, that the idea of a Baltic military union will not be put on the Baltic agenda in the near future, and no more than theoretical discussions about the issue will be heard. Still, the ideas that have been expressed should not be shunted aside in the further development of Baltic military cooperation. This author feels that a military union for the Baltic states is not really possible in the near term, at least from the practical perspective. The Baltic armies are being established completely from scratch, without an inheritance from the armed forces of the former Soviet Union. This means that an enormous amount of work remains to be done in establishing and developing the Baltic military structures. The multilateral cooperation projects such as the aforementioned BALTBAT, BALTRON, BALTNET and BDC, are steps in the right direction in that they are aimed at gradually integrating the Balts among themselves and at bringing them nearer to the security structures of the West. Therefore, it would be wise to continue intensification of military cooperation among the Baltic states, and eventually this would facilitate Baltic military integration. At the same time, it would not be useful politically to conclude a treaty on military union among the Baltic states. Such a treaty would have no real cover, and it would exist only on paper. What's more, and this is by no means unimportant, such a treaty would certainly lead to a very extensive offensive against the Baltic states from Russia, and given the tense situation which exists in Latvian-Russian relations at this time, this would be a fairly short-sighted step. The idea of a Baltic military union sounds nice,

in other words, but it cannot be implemented at this time. Instead, there must be much work in true development and integration of the Baltic military forces, avoiding empty political rhetoric which would be useful for the enemies of the Baltic states in reaching their domestic and foreign policy goals, utilizing the Baltic countries as an excuse in their various dealings.

The Baltic states must continue to intensify their military cooperation, both among themselves, and in relations with NATO countries and their partners. It is clear that the Baltic countries, even if they had a military alliance, could not oppose Russian aggression should it occur. NATO admits only those countries that increase the security of the alliance, not those which reduce it. An important indicator here is the financing which each country gives to its armed forces. Latvia is in the worst situation – in 1998 it is devoting only 0.6% of GDP to military spending. In Estonia the figure is 1.2%, while in Lithuania it's 1.5% of GDP. This represents USD 39.3 million, USD 58.7 million and USD 119.75 million respectively. Lithuania, which has invested the most in its armed forces, is understandably worried that the slower military development of its partners, especially Latvia, could increase the differences among the Baltic armies and hamper not only the implementation of trilateral and multilateral projects, but also efforts to join NATO.

NATO's Madrid summit decision, the next review of the alliance's enlargement process (which will take place in Washington in 1999), and the pressure which NATO member countries are implementing in pointing toward the need of close regional cooperation in the area of defense – these are all fundamentally important factors which underpin the efforts toward military cooperation which have occurred in the Baltic states – efforts which by and large have been successful. Furthermore, closer Baltic military cooperation would increase the military potential of the Baltic states, along with their ability in times of crisis to launch considerable opposition in the face of an aggressor. Even though the Baltic states could not in the end stand up to aggression from their eastern neighbor, the aggressor would have to think carefully whether an attack on a three Baltic states at once is feasible, and what losses it might entail. The aggressor would understand that the reaction in the world's mass media would be impressive, because the issue would not be a conflict between two individual countries, but rather a larger international conflict. It should also be noted that there is at least a theoretical possibility that military conflict might be provoked in one of the Baltic countries where

there is ethnic heterogeneity, with Russia then declaring that the conflict is a consequence of the respective country's violation of human rights. This is a particularly serious possibility for Latvia and Estonia. It would not be difficult to destabilize the situation, given that large numbers of former Soviet military personnel, as well as socially dissatisfied people, live in the two countries. We must also remember that Russia's presence and influence in international organizations is much more extensive than that of any of the Baltic states. Russia also wants to maintain strict controls over what happens in its so-called "near abroad". Baltic military cooperation, therefore, must become increasingly active in the direction of integration, utilizing the historical chance which is given by the fact that Russia is now comparatively weaker than ever before.

We can conclude that efforts to join NATO, as well as the fact that the Baltic states are in the immediate vicinity of the unstable and unpredictable Russia, are factors which influence Baltic cooperation, which make an investment in promoting cooperation, and which open fairly broad opportunities for ongoing cooperation among the Baltic countries. Of course, it is up to the Balts and only the Balts to determine the extent to which they are able to take advantage of these opportunities.

Common institutions for Baltic cooperatio

The question could be raised: which is more appropriate concept for the case of the Baltic cooperation - common or supranational (supra-Baltic) institutions? The author will use the first term - common institutions. Why cannot we speak about the last one? The concept of supranational or at least supra-Baltic institutions sounds very ambitious, unfortunately it is not valid yet. For answering the question, we should look briefly, what do really mean the concept of supranationalism and what are elements of supranationalism

The concept of supranationalism concerns the interplay between the state and international institutions. It raises questions about the power and authority of international institutions. The main emphasis is on authorization and execution. Supranationalism depends upon the state's willingness to allow the international institution a range of powers and an area of independent initiative. Powers are allocated in specific limited areas

to a new centre. Decisions are taken there by a majority voting system, and their execution is supervised by the international institution, rather than by the state.³⁵ Shortly, it reflects the dominance of the international institution over member states in a limited functional area.

Paul Taylor has pointed out the following elements of supranationalism.

1. For international actor (international institution):

- (a) Independence of international civil servants from instructions of national governments.
- (b) Financial independence.
- (c) Voting on policy initiatives by 'fluid' majorities.
- (d) An effective leadership and buoyant mood in the international secretariat.

2. For national actor (state):

- (a) Penetration of extra-national legal system of the international institution into the national legal system
- (b) Development of habit of obedience to new international actor: 'compliance'.
- (c) Legitimization of goals of the international institutions in the national and collective systems.
- (d) Focus upon international institutions in order to obtain 'supranational' resources: acceptance of temporary discrimination in favor of other subsystems.³⁶

It is obvious that none of the inter-Baltic cooperative institutions now corresponds to these criteria. They will become actual only in connection with the potential admitting of the Baltic states into the European Union. Thus we can speak about supranational elements in relation to the European integration, but not in relation to the current case of Baltic countries. Even after the potential joining to EU it will be very doubtful to wait for supranational (supra-Baltic) institutions on the scale of Baltic regional area. No, most likely the inter-Baltic institutions will remain as common, but not as supra-Baltic. Therefore it would be better to use the concept of common institutions, which is more appropriate for the Balts, how it will be seen in the following survey of Baltic institutions.

The Baltic countries have two main common institutions: the Baltic Assembly (BA) and the Baltic Council of Ministers (BCM). The first is inter-parliamentary assembly, the second - representative of executive power. Initially Baltic Assembly existed alone, but experience showed that it was not enough to have only one common institution in order to enable effective cooperation.

The Baltic Assembly has consultative and coordinating function in respect of issues and matters that are of mutual interests to all three states. The Assembly consists of six working committees: Legal; Social and Economic Affairs; Security and Foreign Affairs; Communications; Environment and Energy; and Education, Science and Culture. The Baltic Assembly meets twice yearly and there has not been any case for calling the extraordinary session. On the contrary, we can see that one session was missing in 1993. Detailed Regulations of the Baltic Assembly have been accepted only on the 3rd session in 1993. It means that Baltic Assembly as a young international institution was then in the process of learning and searching for its place. The first sessions were mainly concerned with the “high politics” - issues relating to the removal of Russian troops from the Baltic countries. Although next sessions addressed much more issues other than those of foreign relations and security, considerable emphasis on the high politics continued - mostly including relations with Russia and endeavors to connect the Baltic future with the influential Western organizations like EU and NATO.

The 6th session (in Riga, April 1995) tried to introduce a new practice at the work of Baltic Assembly - participation of the Baltic Council of Ministers and thus to hold joint meeting of both institutions by establishing the Baltic Council. The first attempt was not successful (participated only one prime-minister, although in the time of being he was the chairman of the Baltic Council of Ministers), only after the year (in Vilnius, April 1996) such joint session of the BA and BCM, in effect, finally took place, where the agreement on cooperation between both institutions was adopted. According to the protocol, Baltic Council meets once a year during the spring session of the Baltic Assembly. Undoubtedly, holding of the joint session of the BA and BCM marks one level higher at the development of the Baltic cooperative institutions. However, the Baltic Council adopts only declarations, therefore still the main problem is implementation of resolutions, not just to adopt them.

The Baltic Assembly is an institution generating the new ideas concerning the issues of the inter-Baltic cooperation. It is positive tendency that in the latest few years the agenda of the BA is much more devoted to the discussions of practical issues - so called “low politics”. The 8th session of the Baltic Assembly has adopted the “Parliamentary Programme of the Baltic Assembly”³⁷, which could be qualified as an attempt to start coordination of legislation of three states and approximation of the laws to the requirements raised by the European Union on the way of Balts to the EU. The

Programme suggests five points how to improve cooperation. In my opinion, the most interesting and ambitious are plans to hold joint meetings between the committees of national parliaments of Latvia, Lithuania and Estonia and the Baltic Assembly Committees according to the spheres of interests. Quite relevant could be meetings of the speakers of the three parliaments to which the chairman of the Baltic Assembly Presidium is invited. Although the Programme envisages such meeting to be held once a year (at least once a year), would be fruitful to organize the meeting on more regular basis and thus to create a pressure for faster and more active inter-parliamentary work. Of course, results of upgrading the effectiveness of cooperative relations will depend to much extent on the practical activities by implementation of this programme. The ideas are good and the only thing is to cover them by practical implementation.

We should value positively the contacts between the Baltic Assembly and the similar international organizations in Europe. First of all, it is obviously the role of Nordic Council in facilitating the establishment of BA as such. Nordic countries are the closest Baltic neighbors both geographically and economic-politically supporting. The Baltic Assembly has two formal agreements of cooperation with the Nordic Council, resulting in terms of practical assistance and advice, especially in the formative stages of the BA's work. Unprecedented event has been the joint meeting of the Baltic Assembly and Nordic Council, taking place on April 1996 in Vilnius. It is possible to relate the loud formula '5+3' not only to the inter-parliamentary level, but to the contacts between the Baltic Council of Ministers and respectable Nordic partners as well.

Lithuania has been the most active among the Baltic states in developing economic and political relations with the Central European countries, especially with Poland. Lithuanian politicians have stressed that they have special interests to cooperate with Poland and other countries of East-Central Europe, that they have more in common with East-Central Europe than with Scandinavian region. Quite promising is example of the Central European Free Trade Agreement (CEFTA). The aim of this paper is not to analyze the aspect of this direction in Lithuanian foreign policy. However, looking to the example of Visegrad regional cooperation from the level of institutions, it is obvious that Baltic cooperation could not take an example from the Visegrad group in this field: East-Central Europeans do not have institutions. As Daina Bleiere points out, the main obstacle to the institutionalization of cooperation in the Visegrad group is the attitude of Czech republic. The Czech viewpoint is that Visegrad cooperation must not become

institutionalized, that it must never be seen as an alternative for Czech membership in the EU, and that it must not turn into a military block.³⁸ Among Balts also exist different opinions concerning the Baltic cooperation, similar to those of East-Central Europeans. However, the prevailing point of view among the Baltic elites is that institutions are necessary and the only question is how to make them more effective. Therefore on the issue of institutions Baltic leaders will not find an example in the direction of East-Central Europe.

Quite perspective seem contacts with the Benelux parliamentarians and a formal agreement with the Benelux Inter-parliamentary Consultative Council was signed on November 1994. Atis Lejins argues that the Benelux, rather than the Nordic model is the more appropriate for the Baltics, and since joining both the EU and NATO are the top foreign policy priorities of each Baltic states, even more so.³⁹ It is true that in the latest years there is a big interest among the Baltic parliamentarians about the work of their colleagues from the Benelux. The economic issues and appropriate legislation and administration, we like them or not, are the main criteria on estimating the progress of development of three states on their way to EU. Thus, it is well-based reason to learn from the Benelux experience and to put forward the main economic issues as steps toward eventual Customs Union etc. However, we should not forget that the geographically closest and the biggest Baltic supporters on the international arena certainly are the Nordic countries. EU members from the Nordic countries and the Nordic Council itself actively promote the Baltic EU membership that not always can be said about Benelux countries. Therefore I would suggest the validity of both examples - Benelux and Nordi and try to use the more appropriate elements of institutional cooperation from the both. Balts should not worry all the time - what model to follow, but better look to this point from the existing situation in relation to EU. Sooner or later, all three Baltic states will be admitted to the European Union and then the inter-Baltic cooperation will take a new level (perhaps even new direction) in context of the overall European integration.

Following the Baltic Assembly, the next common Baltic institution is the Baltic Council of Ministers, established on June 1994. It was obvious that inter-parliamentary institution is missing for an appropriate inter-governmental institution. By establishing the Baltic Council of Ministers a new stage in the formation of institutionalized cooperation has been reached. According to the Terms of Reference, the tasks of the BCM are to make decisions with regard to the recommendations of the Baltic Assembly, carry ou

assignments in accordance with agreements concluded between the Baltic states, and address matters of relevance in the context of Baltic cooperation.⁴⁰

The Baltic Council of Ministers is chaired by the prime ministers and has few working levels:

- 1) the ministers for Baltic cooperation: ministers of the foreign affairs (and, in specific areas of cooperation, branch ministers from each state),
- 2) the Baltic Cooperation Committee - coordinates the work of the Baltic Council of Ministers between meetings of prime ministers as well as between meetings of the ministers for Baltic cooperation (ministers of foreign affairs),
- 3) the Committees of Senior Officials - permanently working body of the BCM within the appropriate sphere of responsibility.⁴¹

Decisions of the Baltic Council of Ministers are made on the basis of the principle of consensus. Decisions of the BCM are binding for the Baltic states and should be in full accordance with the internal laws of each Baltic state. Decisions of the Baltic Council of Ministers without approval on the national parliaments do not come into force.⁴²

The number of the Committees of Senior Officials, initially established as 15, has grown up and reached already 20,⁴³ ranging from foreign affairs, defense and peace keeping, border guarding, justice and legislation, to different economic issues, culture, migration (the latest one) etc. There has been a lot of criticism on the large number of committees.⁴⁴ Concerns have been expressed about the formal character of some committees, suggesting that better idea would be to concentrate work on such spheres which are more common in interests and ability to reach the mutually beneficial results. The number of working committees at the appropriate Benelux executive institution also has grown up from initial 12 to 16, but now it has been decreased considerably - until only 6!⁴⁵ Nordic Council of Ministers has a similar small number of committees. Such facts are leading to the suggestion - Baltic leaders should carefully examine the necessity of existing committees: do we really need them all? Perhaps the parliamentarians of the Baltic Assembly could take an initiative and check this problem? Not always the indicator of the degree of the institutionalization is quantitative number of existing institutions. The main thing is effectiveness of institutions, not their number. Also possible is scenario that time will make its' own corrections and later this number of committees will change again, but at that time - to the opposite direction. The Baltic cooperation and institutions - all these things are in the permanent process of movement, not as an invariable single frame.

The Baltic institutions - the Baltic Assembly and the Baltic Council of Ministers - initially has been established and functioned on the basis of the Nordic example, then later has showed signs of direction to the Benelux model. But what are the differences among the models mentioned before?

The most striking difference is included in the functions of the Baltic institutions so called "high politics": cooperation in foreign, defense and security policy as well as crime prevention and border guarding issues. Importance of high politics appeared already at the time when the question of the Russian troop withdrawal from the Baltic states was at the top. Now such top issues are related to the endeavors of the Balts to be admitted in the EU and NATO as well as their geographical closeness to Russia. Therefore, there is nothing wrong about coordinating such issues that are relevant for Baltic politics, by using institutions.

What potential innovations could be used for the Baltic institutions? The role of the regional parliament - Baltic Assembly - will never be like some supranational institution; thus the BA will remain as a consultative and coordinating institution. Much more important is effective functioning of the executive power - the Baltic Council of Ministers. The activities of this institution will depend to much extent on the emphasis, which is to be put on the foreign policy of each Baltic country for the direction to inter-Baltic cooperation. It seems that there is no need for such supranational permanently working group of civil servants like European Commission has. However, perhaps the Baltic Council of Ministers might be the driving force of Baltic cooperation. Certainly, it depends mostly on the decision-making in the capitals of all three countries (domestic constraints) and the external factors facilitating or disturbing the Baltic cooperation. The Baltic Council of Ministers as the common Baltic institution is able to help facilitate the cooperation, if only there are interests and good will (ability to go for compromises) in the national capitals of three states.

Parliamentarians of the Baltic Assembly might develop their work not only by generating ideas and asking reports from the Baltic Council of Ministers, but by keeping pressure on their national level as well. They could raise the issues common to Baltic on their national parliaments and keep pressure on their governments. It seems too early to speak about such vision of the Baltic Assembly characterized by deputies' sitting and voting (like in the European Parliament) on the basis of political conviction and not by

national belongings. Such stage could announce already quite significant level of development of the inter-Baltic relations.

What about the influence of the Baltic Assembly on the executive power, is it really the problem in the development of the Baltic cooperation? Critics have argued that a serious factor of disturbance in cooperation is of declarative character of the Baltic Assembly: it has only status of recommendation, thus they are not compulsory for the Baltic Council of Ministers. However, we should not forget that the Baltic Assembly is not supranational institution, which decisions are strictly binding for member-states. The main driving force in the Baltic case is national actors, but the purpose of common institutions is to facilitate the cooperation and not to be completely responsible for any failures etc. Does it mean that common Baltic institutions are obsolescent? No, certainly not. To some extent, common Baltic institutions are stabilizing factor in the trilateral cooperation, especially in the period of any bilateral disputes. On the other hand, bilateral disputes and changes of governments in different periods in each of the Baltic state disturb and slow down overall cooperation. Nevertheless, the declarative and recommending role of the Baltic Assembly is not a waste of time: common institutions help to exchange with information, reduce uncertainty and establish stable mutual expectations about others' behavior as well as facilitates personal contacts and mutual understanding. Externally that role is in presenting a united viewpoint to the outside world - for governments and international organizations. Implementation of the practical resolutions of the Baltic Assembly is much more the business of the national governments, but the role of common executive institution is to facilitate the reaching of mutual agreements and to coordinate and supervise their implementation.

In sum, I would suggest the validity of the existing common Baltic institutions. The question is not whether we need institutions at all, but how to improve their effectiveness and adapt to new challenges. The quality of the existing institutions will depend both on national governments and external environment.

The interests and political will of each of the Baltic country, in addition to the main goal of foreign policy - joining to the European Union, will determine the continuation of inter-Baltic cooperation and activities of the common institutions.

It is valuable to reach understanding that Baltic countries have common institutions, not supranational institutions, therefore it is not correct to wait for the main emphasis in cooperative relations on the institutions. Much higher level of institutions

(supranational) we can expect only in relation to the structures of the European Union in future. The experience of the Nordic and Benelux countries shows that the role of regional institutions within integrated European structures does not disappear or diminish.

Do we need institutions in order to facilitate the cooperation? The answer is certainly positive. The purposes of cooperation can change more than the fact of cooperation itself. More cooperation may not necessarily be better than less, not a endeavors to promote cooperation will definitely yield good results. However, more effective coordination of policy among governments would often help, and as an instrument to achieve it serves the common institutions.

Conclusions

The cooperation among the Baltic countries which began in the early 1990s is continuing to develop under the influence of several factors which, by limiting or promoting Baltic cooperation, help to specify the intensity of the process. Cooperation among the Balts is influenced by such external factors as international institutions and countries, which have a leading role in the Baltic region.

An important external actor in the process is Russia, which is seeking to maintain its influence over the Baltic region. Although Russia can be seen as a factor which brings the Baltic countries closer together, it is implementing differing policies vis-a-vis the Baltic states, and in certain cases this can reduce the intensity of Baltic cooperation.

An important role here is played by the American presence in Europe. Washington is becoming increasingly active in the Baltic states, too. In the context of Baltic cooperation it is fundamentally important that the United States see the Baltic states as a unified region. American support for the Baltic states is forcing the three to deepen their cooperation in order to create a homogeneous region for the Europe of the future.

The Nordic countries have a generally positive effect on Baltic cooperation; they are also part of the Baltic Sea region, and they want to see the Eastern shore of the sea as a region of stability. Nordic support for the Baltic states is particularly important as they move toward the European Union, as they develop trilateral cooperation, and as they

develop the broader “5+3” (the Nordic countries + the Baltic countries) cooperation structure.

International organizations are also playing an unprecedentedly important role in terms of the strategic goals of the Balts to become members of such international institutions as the European Union and NATO. Baltic steps on the road to the European union and NATO, especially in the most recent period of time, have dictated the political agenda of the three countries, and they have had a seminal influence on cooperation among the three.

Even though all three countries have the same goals, and it should seem that movement toward the international structures should promote Baltic cooperation, the fact is that this is not clearly so. The accession of the Baltic states to international institutions is much more a matter of the national interests of each of the three countries in terms of ensuring security and economic growth than it is a matter of pure Baltic cooperation. Accordingly, it is inevitable that Baltic cooperation is put on the back burner when these broader processes of moving toward the EU and NATO are considered. Baltic competition on the road to the European Union, as well as the unclear situation which existed before the Amsterdam summit (which countries would be admitted to membership negotiations first) brought confusion into the relationship among the Baltic states. In some instances the three were even ready to abandon Baltic cooperation in the interests of Euro-integration. In the future, the division of the Baltic states into two camps (with respect to EU membership negotiations) will continue to cause certain concerns about the development of Baltic cooperation in the near term.

On the other hand, the idea that membership in international institutions will fully replace Baltic cooperation is unfounded, as has been demonstrated by the existence of many regional forms under the framework of the EU. We might rather speak of the fact that Baltic cooperation has changed, and is continuing to change in terms of its content. In the future, too, there will be issues which are best handled at the regional level, even with respect to movement toward international structures – cooperation on “third pillar” issues, for example. Furthermore, the movement of the Baltic states toward NATO means that there must be close cooperation among the three in the security sector, and because the process is going to be a long one, the Balts will have to be partners and develop cooperation amongst themselves.

Baltic cooperation has existed for a relatively brief period of time, and even though there have been successes and failures of various magnitude in this relationship, cooperation can take a concrete and stable place in the overall relations of the three countries only gradually and with an accumulation of experience. External factors, especially the integration process on the road to the European Union, will pose serious challenges to Baltic cooperation in the next several years. If this period is survived successfully, then, after the accession of the Baltic states to the EU, a new level of cooperation could emerge among the Baltic countries, and this, within the framework of general European integration, would promote the mutual integration of the Baltic states, too.

Notes

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